

REGISTRATION OF LESSOR

A lessor shall file notification with the administrator 30 days after soliciting or entering into a rental purchase agreement subject to this article; and before February 1 in each subsequent year that the lessor solicits or enters into a rental purchase agreement. The initial registration form is now on the Internet. The initial notification fee and annual fee is fixed by the department. There presently is no initial notification fee. The annual fee is currently \$100 for each place of business operated by the lessor on December 31 of the preceding year.

The INDIANA RENTAL PURCHASE AGREEMENT ACT, IC 24-7, contains the requirements for Rent-to-Own businesses.

DEFINITIONS

- ◆ **"Lessee"** means an individuals who rents property under a rental purchase agreement.
- ◆ **"Lessor"** means an individual or other person who, in the ordinary course of business leases; offers to lease; arranges for the leasing of; or accepts assignments of leases of property under a rental purchase agreement.
- ◆ **"Property"** means any property that is not real property or intangible personal property under Indiana law and is made available under a rental purchase agreement.
- ◆ **"Rental purchase agreement"** means an agreement between a lessor and a lessee that: provides for the use of personal property by an individual primarily for personal, family, or household purposes; has an initial period of four (4) months or less; is automatically renewable with each rental payment; and permits the lessee to become the owner of the property.

The lessor shall reduce a rental purchase agreement to writing. The terms of the rental purchase agreement shall be set forth in not less than 8 point type.

DISCLOSURES

The lessor shall disclose all information required in Section 3 of the Act before the rental purchase agreement is consummated. The disclosures shall be stated clearly and conspicuously and in words and phrases that have a nontechnical meaning. Disclosures may be included in the rental purchase agreement or in a separate writing that references the rental purchase agreement. Additional information or explanation supplied by the lessor may not have the effect of circumventing, evading, or unduly complicating the information required to be disclosed.

Before any rental payment is due under the rental purchase agreement, the lessor shall obtain the signature of the lessee on the writing containing the terms of the rental purchase agreement and shall furnish the lessee with a copy of the written and signed rental purchase agreement. If there is more than one (1) lessee in a rental purchase agreement, delivery of a copy of the rental purchase agreement to one (1) of the lessees is sufficient to comply with the Act.

LIMITATIONS

A rental purchase agreement may not contain a provision that conflicts with the rights and duties imposed under the Act.

- ◆ A lessor may not accept an assignment of earnings from the lessee for payment or as security for payment for a charge arising under a rental purchase agreement. This provision does not prohibit a lessee from authorizing deduction from the lessee's earnings if the authorization is revocable and is otherwise permitted by law.
- ◆ A lessor may not take or accept a power of attorney or other authorization from the lessee, or other person acting on the lessee's behalf, to waive service of process, confess judgment, or enforce payment of money claimed by the lessor in violation of IC 34-2-25 or IC 34-2-26.
- ◆ A lessor may not require a lessee to waive any defense, counterclaim, or right of action against the lessor or a person acting on the lessor's behalf, as the lessee's agent; in collection of rental payments, or charges under the rental purchase agreement.
- ◆ A lessor may not require a lessee to authorize the lessor or a person acting on the lessor's behalf to unlawfully enter upon the lessee's premises or to commit any breach of the peace in the repossession of the property.
- ◆ A lessor may not require a lessee to authorize a prejudgment garnishment of the lessee's wages.
- ◆ A lessee may not be required to make any payment in addition to regular rental payments in order to acquire ownership of the property or pay rental payments totaling more than the cost to acquire ownership stated in the rental purchase agreement.
- ◆ A lessor may not require any of the following:

The mandatory purchase of insurance by the lessee from the lessor.

A penalty for early termination of a rental purchase agreement or for the return of an item at any point, except charges authorized under IC 24-7-5. A payment by a cosigner of the rental purchase agreement for any fees or charges that may not be imposed on the lessee as part of the rental purchase agreement.

ADDITIONAL CHARGES

A lessor may contract for and receive the following additional charges:

- ◆ an initial nonrefundable processing fee not to exceed ten dollars (\$10);
- ◆ a reasonable delivery charge if the lessor actually delivers the item to the lessee at a place other than the lessor's place of business. The delivery charge may be assessed in lieu of and not in addition to any initial processing charge imposed;
- ◆ a charge for picking up rental or other payments from the lessee if the lessor is required or requested to visit the lessee to pick up a payment at a place other than the lessor's place of business; the charge assessed may not exceed \$10.00;
- ◆ the lessor may require the lessee to pay any state sales and use taxes levied in connection with a rental purchase agreement;
- ◆ an amount equal to all official fees require to be paid under a rental purchase agreement;
- ◆ a liability waiver fee in the case of a rental purchase agreement with weekly or biweekly renewal dates, the liability waiver fee may not exceed the greater of 10% of a periodic lease payment due or \$2.00 and in the case of a rental purchase agreement with monthly renewal dates, the liability waiver fee may not exceed the greater of 10% of a periodic lease payment due or \$5.00.
- ◆ if a lessee is liable to a lessor for the replacement cost of property leased under a rental purchase agreement, the lessor may not charge the lessee more than the fair market value for the property; and
- ◆ late charges or delinquency fees as follows:

For rental purchase agreements with monthly renewal dates, a late charge not exceeding \$5.00 may be assessed on any rental payment not made within five (5) days after the renewal date for the

agreement; or the return of the property is required under the rental purchase agreement.

For rental purchase agreements with weekly or biweekly renewal dates, a late charge not exceeding \$1.00 for any payment not greater than \$9.50, \$2.00 for any payment greater than \$9.50 but not greater than \$19.50, \$3.00 for any payment greater than nineteen \$19.50 may be assessed on any rental payments not made within three (3) days after the renewal date for the agreement; or the return of the property is required under the rental purchase agreement.

A late charge on a rental purchase agreement may be collected only once on any accrued rental payment, no matter how long it remains unpaid. A late charge may be collected at any time after it accrues. A late charge may not be assessed against a rental payment that is timely made, even though an earlier late charge has not been paid in full.

BOOKS, ACCOUNTS, AND RECORDS

The lessor shall make their books and records reasonably available for inspection by the department or the department's representative. The department may examine the books and records of persons subject to the act and may make investigations of persons necessary to determine compliance. The department may impose an examination fee after the first three days of \$100 per day.

If the person's records are located outside Indiana, the person shall, at the person's option, either make them available to the administrator at a convenient location in Indiana, or pay the reasonable and necessary expenses for the department or the department's representative to examine them at the place where they are maintained.

A lessor shall use generally accepted accounting principles and practices in keeping books and records so that the department or the department's representative may determine if the lessor is in compliance with the act or a rule adopted under the act.

A lessor shall keep the lessor's books and records that pertain to a rental purchase agreement for at least 2 years after the rental purchase agreement has terminated.

CIVIL PENALTIES

A lessor who knowingly:

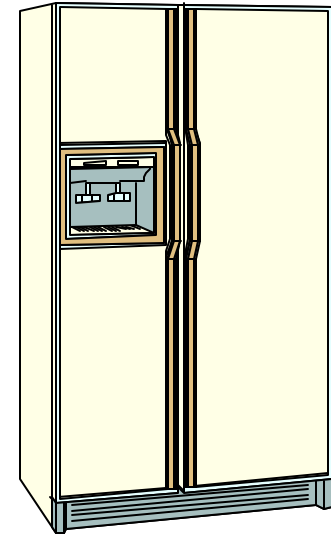
- ◆ gives false or inaccurate information in a rental purchase agreement or a written disclosure required under the Rental Purchase Agreement Act;
- ◆ fails to provide information that the lessor is required to disclose to a lessee or provide to the department; and
- ◆ makes a charge under a rental purchase agreement that is not authorized under this article; or exceeds the amount authorized under the act commits a Class C misdemeanor.

If a lessor violates the act and a lessee who is a party to the agreement prevails in the proceeding, the lessee may recover from the lessor committing the violation; or set off in a counterclaim in any action by the lessor committing the violation and may recover reasonable attorney's fees, as determined by the court; court costs; and the greater of the actual damages, incurred by the lessee as a result of the violation, \$300; or 25% of the total rental payment necessary to acquire ownership of the property leased under the agreement.

Call our toll-free number or write to the address on the cover for a registration form if you wish to start a Rent-to-own business.



STARTING A RENT-TO- OWN BUSINESS



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880

